

HB 4058 A STAFF MEASURE SUMMARY

Carrier: Sen. Prozanski

Senate Committee On Judiciary**Action Date:** 02/20/20**Action:** Do pass the A-Eng bill.**Vote:** 6-0-1-0**Yeas:** 6 - Dembrow, Gelser, Linthicum, Manning Jr, Prozanski, Thatcher**Exc:** 1 - Olsen**Fiscal:** Has minimal fiscal impact**Revenue:** No revenue impact**Prepared By:** Channa Newell, Counsel**Meeting Dates:** 2/20**WHAT THE MEASURE DOES:**

Allows person asserting possessory lien on motor vehicle for purposes of securing payment after making repairs or other services to obtain a revocable letter of credit in amount of \$20,000 as alternative to surety bond in same amount. Requires that the surety bond or letter of credit be issued by authorized and insured institute and requires issuing entity to notify Oregon Department of Transportation (ODOT) of any cancellation of the bond or letter. Provides that the bond or letter of credit must be executed in Oregon, approved in form by Attorney General, filed and held with ODOT, and conditioned on the holder conducting business without fraud or violation of statutory consumer protections regarding motor vehicle repairs. Requires holder of surety bond or letter of credit to certify annually to ODOT, in writing, that the surety bond or letter of credit is in effect and to obtain and file a new notice with ODOT if a person recovers against the prior bond or letter. Extends operative date for obtaining surety bond or letter of credit from July 1, 2020, to July 1, 2021. Allows ODOT to create rules before operative date. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- History of possessory liens by vehicle repair shops
- Difficulty in obtaining proper bond
- Use of auto-dealer bond language to facilitate obtaining bond
- Collaborative process to address issues

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

In 2018, the Legislative Assembly enacted House Bill 4087, which requires vehicle repair shops to have a surety bond of at least \$20,000 before asserting a possessory lien upon a vehicle in the shop's care for nonpayment of work performed or other costs. In 2019, House Bill 2913 extended the operative date of the bond requirement to July 1, 2020.

House Bill 4058-A extends the operative date to July 1, 2021, and allows a repair shop to obtain an irrevocable letter of credit in the amount of \$20,000 as an alternative to obtaining a surety bond. The measure specifies the conditions for the surety bonds and letters of credit, including notice to the Oregon Department of Transportation when such a bond or letter is canceled, yearly certification of the bond or letter, and notice to ODOT of full coverage should a person obtain recovery against an existing surety bond or letter of credit. The measure declares an emergency and is effective on passage.